MONTHLY FOOD SECURITY BULLETIN OF SOUTH AFRICA: NOVEMBER 2015

Issued: 7 December 2015

Directorate: Statistics and Economic Analysis

Highlights:

- **During November 2015, significant rainfall events were limited to the north-eastern parts of the country, the southern and south-eastern coastal areas and adjacent interiors.**
- **The expected commercial production of wheat for 2015 is 1,505 million tons, which is 14,0% less than the previous seasons' crop of 1,750 million tons.**
- **The projected closing stocks of wheat for the current 2015/16 marketing year are 544 613 tons, which includes imports of 1,950 million tons. It is also 8,7% less than the previous years' ending stocks.**
- **Projected closing stocks of maize for the current 2015/16 marketing year are 1,358 million tons, which is 34,5% less than the previous years' ending stocks.**
- **The projected closing stocks of sorghum for the current 2015/16 marketing year are 56 802 tons, which is 53,4% less than the previous years' ending stocks.**
- **The projected closing stocks of sunflower seed for the current 2015/16 marketing year are 66 527 tons, which is 28,4% less than the previous years' ending stocks.**
- **The projected closing stocks of soybeans for the current 2015/16 marketing year are 121 504 tons, which is 90,7% more than the previous years' ending stocks.**
- **The headline CPI (for all urban areas) annual inflation rate in October 2015 was higher at 4,7%.**
- **The annual percentage change in the PPI for final manufactured goods was higher at 4,2% in October 2015.**
- **South Africa's economy grew by 0,7% in the third quarter of 2015, according to preliminary estimates of real gross domestic product (GDP) released by Stats SA.**
- **October tractor sales of 618 units were 23% lower than the 805 units reported sold in October 2014.**

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1. Weather conditions

1.1 Rainfall for November 2015

During November 2015, significant rainfall events were limited to the north-eastern parts of the country, the southern and south-eastern coastal areas and adjacent interiors **(Figure 1)**. Comparing rainfall totals to the long term average for November, rainfall received was below-normal but near-normal in the West Coast, parts of the Western Cape, Eastern Cape and the north-eastern parts of the country **(Figure 2)**. There were isolated areas of above-normal rainfall along the south coast.

Figure 1: Rainfall in mm for November 2015

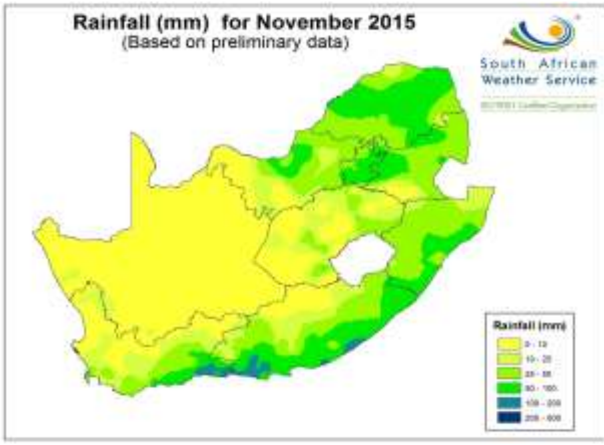
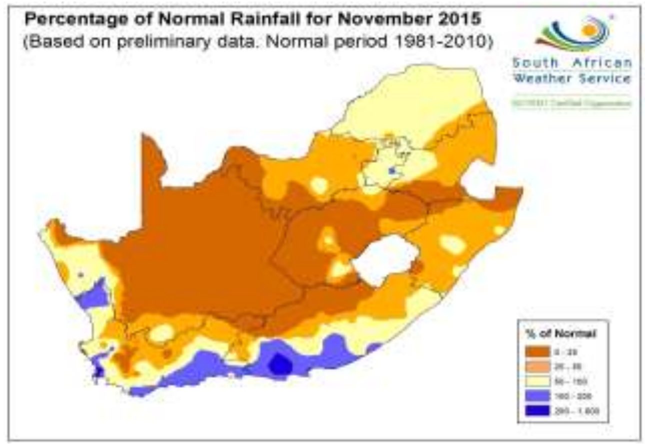


Figure 2: Percentage rainfall for November 2015



According to the latest Seasonal Climate Watch of the SA Weather Service, most models are showing the continuation of a strong El-Niño episode towards the summer season with the expectation to start gradually decaying during late autumn and the early winter seasons. The forecasting system is confidently showing that going towards the mid- and late-summer season, the likelihood of the continuation of dry conditions over most parts of the country is high. In addition, the mid-summer season forecast indicates a likelihood of extremely below-normal rainfall totals. The likelihood of warmer than normal temperatures over most of South Africa is predicted to be high throughout the summer season. Other international forecasting systems also similarly indicate a tendency of drier and warmer conditions for South Africa.

1.2 Level of dams

Available information on the level of South Africa's dams on 1 December 2015 indicates that the country has approximately 62% of its full supply capacity (FSC) available, 16% less than the corresponding period in 2014. All the provinces, except for the Eastern Cape Province, show a decreasing trend in the full supply capacity of dams of between 13% and 26%, compared to the same period last year. The largest decreases in the full supply capacity for the mentioned period are evident in the Northern Cape with 26%, followed by the Western Cape with 21% and Mpumalanga with 20%. The provincial distribution of South Africa's water supply including Lesotho is contained in **Table 1** below.

Table 1: Level of dams, 1 December 2015

Province	Net FSC million cubic meters	**1/12/2015 (%)**	Last Year (2014) (%)	% Increase/Decrease 2015 vs 2014
Eastern Cape	1 826	76	76	-
Free State	15 971	62	81	-19,0
Gauteng	115	81	94	-13,0
KwaZulu-Natal	4 669	55	70	-15,0
Lesotho	2 376	53	66	-13,0
Limpopo	1 508	67	82	-15,0
Mpumalanga	2 538	65	85	-20,0
North West	825	49	66	-17,0
Northern Cape	146	71	97	-26,0
Western Cape	1 853	63	84	-21,0
Total	**31 827**	**62**	**78**	**-16,0**

Source: Department of Water Affairs

2. Grain production

2.1 Summer grain crops

Please note that the preliminary area planted estimate for summer grains for 2016 will be released on 27 January 2016.

2.2 Winter cereal crops

The area estimate and fourth production forecast for winter crops for 2015 was released by the Crop Estimates Committee (CEC) on 25 November 2015, and is as follows:

Table 2: Commercial winter crops: Area planted and fourth production forecast - 2015 season

CROP	Area planted 2015 Ha (A)	4^{th} Forecast 2015 Tons (B)	Area planted 2014 Ha (C)	Final estimate 2014 Tons (D)	Change % (B) ÷ (D)
Wheat	**482 150**	**1 505 290**	**476 570**	**1 750 000**	**-13,98**
Malting barley	**93 730**	**349 487**	**85 125**	**302 000**	**15,72**
Canola	**78 050**	**105 400**	**95 000**	**121 000**	**-12,89**
Total	**653 930**	**1 960 177**	**656 695**	**2 173 000**	**-9,79**

Note: : Estimate is for calendar year, e.g. production season 2015/16 = 2015

- The expected commercial production of **wheat** is 1,505 million tons, which is 14,0% or 244 710 tons less than the previous seasons' crop of 1,750 million tons, whilst the expected yield is 3,12 t/ha.
- The expected production in the Western Cape is thus now 697 500 tons (46%), in the Northern Cape 262 800 tons (17%) and in the Free State 224 000 tons (15%).
- The production forecast for **malting barley** is 349 487 tons, which is 15,7% or 47 487 tons more than the previous seasons' crop of 302 000 tons. The area planted is estimated at 93 730 ha, while the expected yield is 3,73 t/ha.
- The expected **canola** crop is 105 400 tons, which is 12,9% or 15 600 tons less than the previous seasons' crop of 121 000 tons. The area estimate for canola is 78 050 ha, with an expected yield of 1,35 t/ha.

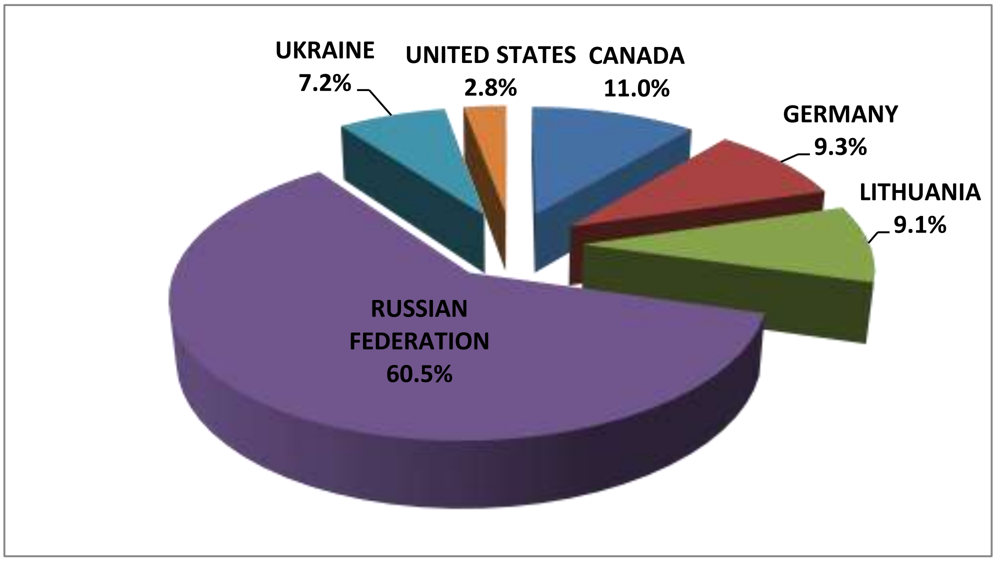
Please note that the fifth production forecast for winter cereals for 2015 will be released on 15 December 2015.

3. Cereal balance sheets

For the latest Cereal balance sheets (supply and demand tables) on maize, wheat, sorghum, sunflower seed and soybeans please refer to the attachment called FSB Nov15 Annexure A.

3.1 Imports and exports of wheat for the 2015/16 marketing year

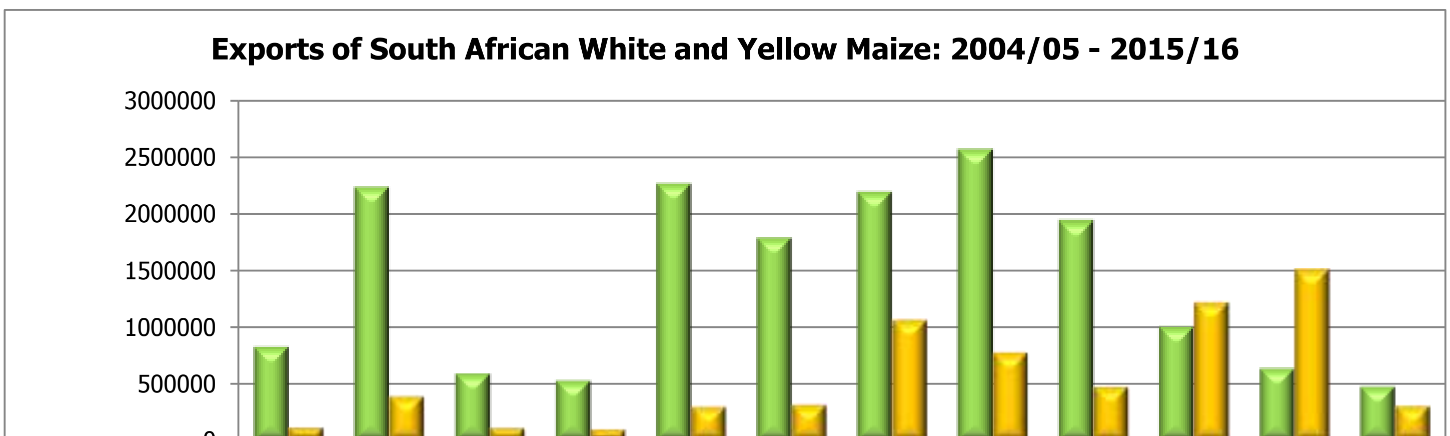
Graph 1: Major countries of wheat imports for South Africa: 2015/16 marketing year



- The progressive wheat imports from 26 September 2015 to 27 November 2015, amount to 486 694 tons, with the largest quantity (60,5% or 294 354 tons) imported from the Russian Federation followed by Canada (11,0% or 53 770 tons), Germany (9,3% or 45 099 tons), Lithuania (9,1% or 44 403 tons), Ukraine (7,2% or 35 210 tons) and the United States (2,8% or 13 858). The exports of wheat for the mentioned period amount to 16 469 tons, of which 56,8% or 9 360 tons were exported to Zimbabwe, 15,1% or 2 490 tons to Mozambique, 14,4% or 2 372 tons to Namibia, 10,1% or 1 666 tons to Botswana, 2,5% or 412 tons to Swaziland and only 1,0% or 169 tons to Zambia.

3.2 Exports of white and yellow maize

Graph 2: Exports of South African white and yellow maize for the 2004/05 to 2015/16 marketing year



	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*
White maize exports	832000	2237000	597000	534000	2269000	1796000	2194000	2575000	1946000	1008923	640807	480000
Yellow maize exports	120000	393000	117000	103000	303000	319000	1068000	781000	478000	1223673	1514917	310000

*Projection

- The projection for exports of white maize for the 2015/16 marketing year are 480 000 tons, which represents a decrease of 25,1% compared to the 640 807 tons of the previous marketing year. With reference to yellow maize exports, the projection is 310 000 tons, which represents a decrease of 79,5% compared to the 1,515 million tons of the previous marketing year.
- From 25 April to 27 November 2015, progressive white maize exports amount to 237 385 tons, with the main destinations being the BLNS Countries (79,7% or 189 131 tons), Mozambique (20,1% or 47 749 tons) and

Zimbabwe (0,2% or 505 tons). The imports of white maize for the mentioned period amount to 68 420 tons, of which 74,8% or 51 185 tons were from Mexico and 25,2% or 17 235 tons from Zambia.

- From 25 April to 27 November 2015, progressive yellow maize exports amount to 133 355 tons, with the main destinations being the BLNS Countries (76,9% or 102 508 tons), Mozambique (19,7% or 26 229 tons), Republic of Korea (1,7% or 2 277 tons), Democratic People's Republic of Korea (1,6% or 2 177 tons) and Zimbabwe (0,1% or 164 tons). The imports of yellow maize for the mentioned period amount to 561 747 tons, of which 53,0% or 297 498 tons were from Argentina, 42,6% or 239 120 tons from Brazil and 4,5% or 25 129 tons from Paraguay.

4. Market information

4.1 Consumer Price Index (CPI)

- Annual consumer price inflation was 4,7% in October 2015, up from 4,6% in September 2015. The consumer price index increased by 0,3% month-on-month in October 2015.
- The annual rate for alcoholic beverages and tobacco fell from 8,7% in September (contributing 0,5 %) to 7,4% in October (contributing 0,4%). However, this change was more than offset by the change in the residual, which reflects the effect of rounding the contributions to one decimal point.
- Food and non-alcoholic beverages contributed 0,1%. The index increased by 0,5% month-on-month. The items with the highest monthly rates were oils and fats (2,0%) and vegetables (1,4%).
- Transport contributed 0,1%. The index increased by 0,5% month-on-month.
- In October the CPI for goods increased by 3,7% year-on-year (3,6% in September), and the CPI for services increased by 5,6% year-on-year (unchanged from September).
- Provincial annual inflation rates ranged from 3,9% in Mpumalanga to 4,9% in Western Cape and Free State.

4.2 Producer Price Index (PPI)

- The annual percentage change in the PPI for final manufactured goods was 4,2% in October 2015 (compared with 3,6% in September 2015). From September 2015 to October 2015 the PPI for final manufactured goods increased by 0,9%.
- The main contributors to the annual rate of 4,2% were food products, beverages and tobacco products (6,2% year-on-year and contributing 2,1%), wood and paper products (7,6% year-on-year and contributing 0,8%) and metals, machinery, equipment and computing equipment (5,2% year-on-year and contributing 0,8 %).
- The main contributors to the monthly increase of 0,9% were food products, beverages and tobacco products (0,9% month-on-month and contributing 0,3%) and wood and paper products (2,4% month-on-month and contributing 0,3%).
- The annual percentage change in the PPI for intermediate manufactured goods was 0,9% in October 2015 (compared with 0,8% in September 2015). From September 2015 to October 2015 the PPI for intermediate manufactured goods remained unchanged.
- The main contributors to the annual rate of 0,9% were sawmilling and wood (7,4% year-on-year and contributing 1,5%) and textiles and leather goods (6,3% year-on-year and contributing 0,7%).
- The annual percentage change in the PPI for electricity and water was 13,5% in October 2015 (compared with 11,3% in September 2015). From September 2015 to October 2015 the PPI for electricity and water decreased by 2,4%. The contributors to the annual rate of 13,5% were electricity (13,8% year-on-year and contributing 11,6%) and water (11,3% year-on-year and contributing 1,8%). The contributor to the monthly decrease of 2,4% was electricity (-4,2% month-on-month and contributing -3,7%).
- The annual percentage change in the PPI for mining was -0,8% in October 2015 (compared with -5,2% in September 2015). From September 2015 to October 2015 the PPI for mining increased by 1,1%. The main

contributor to the annual rate of -0,8% was non-ferrous metal ores (-11,2% year-on-year and contributing -4,0%). The main contributor to the monthly increase of 1,1% was gold and other metal ores (3,2% month-on-month and contributing 1,0%).

- The annual percentage change in the PPI for agriculture, forestry and fishing was 6,8% in October 2015 (compared with 5,2% in September 2015). From September 2015 to October 2015 the PPI for agriculture, forestry and fishing increased by 2,9%. The main contributor to the annual rate of 6,8% was agriculture (7,2% year-on-year and contributing 6,1%). The contributor to the monthly increase of 2,9% was agriculture (3,4% month-on-month and contributing 2,9%).

4.3 Future contract prices and the exchange rate

Table 3: Closing prices on Friday, 4 December 2015

	4 December 2015	4 November 2015	% Change
RSA White Maize per ton (Dec. 2015 contract)	R3 478,00	R3 239,00	7,38
RSA Yellow Maize per ton (Dec. 2015 contract)	R3 396,00	R3 000,00	13,20
RSA Wheat per ton (Dec. 2015 contract)	R4 530,00	R4 346,00	4,23
RSA Sunflower seed per ton (Dec. 2015 contract)	R7 065,00	R6 789,00	4,07
RSA Soya-beans per ton (Dec. 2015 contract)	R6 085,00	R5 720,00	6,38
Exchange rate R/$	R14,42	R13,76	4,80

Source: JSE/SAFEX

4.4 GDP

- South Africa's economy grew by 0,7% in the third quarter of 2015, according to preliminary estimates of real gross domestic product (GDP) released by Stats SA. Unless otherwise stated, growth rates are quarter-on-quarter seasonally adjusted and annualised.
- After experiencing a 1,3% contraction in the second quarter, the marginal GDP growth in the third quarter staved off a technical recession. A recession is usually said to occur if a country experiences two consecutive quarters of GDP decline.
- The increase in overall economic activity in the third quarter was characterised by three of the ten main industry groups shrinking in size, while the other seven experienced some growth.
- The agriculture industry experienced the largest fall in activity, contracting by 12,6%. Decreases in the production of field crops (such as maize, sunflower and sugar cane) contributed to the industry's decline.
- Activity in the mining industry fell by 9,8%. Lower production in the mining of coal and other minerals contributed to the decrease.
- Electricity, gas and water supply was the third industry to experience a contraction in the third quarter, falling by 8,0%. This was mainly as a result of a decrease in the production and consumption of electricity.
- These three industries can be regarded as being in recession. This was the third consecutive quarter of agricultural decline, and the second consecutive quarter of decline for both mining and electricity.
- The manufacturing industry grew by 6,2% in the third quarter. Increased production of various products, such as food & beverages and wood & paper, contributed to the rise in activity. This followed two consecutive quarters of contraction in manufacturing.
- The other industries that experienced growth in the third quarter were finance (2,8%), trade (2,5%), personal services (1,7%), government (1,2%), construction (0,5%), and transport (0,1%).
- The South African economy last entered a recession in late 2008 and early 2009, when GDP declined for three straight quarters: The fourth quarter of 2008 (-2,3%), the first quarter of 2009 (-6,1%), and the second quarter of 2009 (-1,4%).
- Other quick facts from the latest GDP release:

- The unadjusted real GDP at market prices increased by 1,0% year-on-year;
- The estimate of real GDP for the first nine months of 2015 increased by 1,5% compared with the corresponding period in 2014; and
- Nominal GDP was estimated at R1 007 billion for the third quarter of 2015 (the first time quarterly nominal GDP has exceeded R1 trillion).

4.5 Agricultural machinery sales

- October tractor sales of 618 units were 23% lower than the 805 units sold in October 2014. On a year-to-date basis sales are almost 11% down on last year. October combine harvester sales of 20 units were also significantly down on the 35 units sold in October 2014. On a year-to-date basis combine harvester sales are almost 40% down on last year.
- The lack of rain has now reached critical proportions and as a result there are very serious repercussions on the industry, in particular, and the country, in general. Farmers are running out of options in regard to being able to plant their crops, or to change to shorter-season crops such as sunflower seed or soya beans. Therefore, the area which will be planted to maize, South Africa's largest grain crop, will surely be reduced significantly. This will have a negative knock-on effect on the agricultural machinery industry and, in turn, food availability.
- Industry expectations for tractor sales in 2015 have been revised downwards and are now of the order of 15% down on 2014. Combine harvester sales are expected to be approximately 40% down.

Table 4: Agricultural machinery sales

	Year-on-year		Percentage	Year-to-date		Percentage
	October		Change	October		Change
Equipment class	**2015**	**2014**	**%**	**2015**	**2014**	**%**
Tractors	618	805	-23,23	5 042	5 634	-10,51
Combine harvesters	20	35	-42,86	196	314	-37,58

Source: SAAMA press release, November 2015

5. Acknowledgements

The Directorate: Statistics and Economic Analysis makes use of information sourced from various institutions and organisations within South Africa in order to compile the monthly report on South Africa's Food Security Situation. This report has been compiled with the aid of information and reports sourced from the following institutions and organisations:

- Agfacts
- Department of Water Affairs (DWA)
- Farmer's Weekly
- Grain South Africa (GrainSA)
- IGC Grain Market Report
- National Agricultural Marketing Council (NAMC)
- South African Agricultural Machinery Association (SAAMA)
- South African Futures Exchange (SAFEX)
- South African Reserve Bank
- Statistics South Africa (Stats SA)
- The South African Supply and Demand Estimates Report (SASDE)
- The South African Grain Information Service (SAGIS)
- The South African Weather Service (WeatherSA)
- USDA Foreign Service
- UT Grain Management (Pty) Ltd
- Weekly Price Watch, DAFF